

Washington State Auditor's Office

Audit Report

Moses Lake Conservation District Grant County

Audit Period
January 1, 1996 through December 31, 1998

Report No. 61299

Issue Date
May 19, 2000



Washington _____
State Auditor

Brian Sonntag

Audit Summary

Moses Lake Conservation District Grant County January 1, 1996 through December 31, 1998

ABOUT THE AUDIT

This report contains the results of our annual independent audit of the Moses Lake Conservation District for the period January 1, 1996, through December 31, 1998.

We performed audit procedures to determine whether the District complied with state laws and regulations and its own policies and procedures. We also audited the financial statements and evaluated the internal controls established by District management. Our work focused on specific areas that had potential for abuse or misuse of public resources. A special focus of our audit was the cash receipting system.

RESULTS

In most areas, the District complied with state laws and regulations and its own policies and procedures. However, we identified one condition significant enough to report as a finding:

- The District has significant weaknesses in internal controls over its cash receipts.

The District is committed to resolving the issue we identified. We also found the District's financial statements were complete and accurate.

Table of Contents

**Moses Lake Conservation District
Grant County
January 1, 1996 through December 31, 1998**

Description of the District	1
Audit Areas Examined	2
Audit Overview	3
Schedule of Audit Findings.....	4
Independent Auditor's Report on Compliance with State Laws and Regulations	7
Independent Auditor's Report on Financial Statements	8
Financial Statements	9

Description of the District

Moses Lake Conservation District Grant County January 1, 1996 through December 31, 1998

ABOUT THE DISTRICT

The Moses Lake Conservation District is a subdivision of the State of Washington Conservation Commission. There are 48 districts around the state. Their function is to preserve and conserve the natural resources of the state.

The District is managed by a Board of Supervisors made up of five local individuals. Each district acts as its own treasurer and auditor. The District maintains its own checking, savings and investment accounts.

The District also operates a nursery. It sells many different types of plants and trees to the public. The nursery has brought in approximately \$250,000 in revenue in the past couple of years.

ELECTED OFFICIALS

These officials served during the audit period:

Executive Board:

Dan Roseburg
Dale Gies
Stan Kaufmann (1/96-7/99)
Maggie Kubo (7/99-present)
Wall Morris
Stan Meyer

APPOINTED OFFICIALS

Manager
Secretary

Cary Munce
Sharon Mather

ADDRESS

District

1775 Southeast Highway 17
Moses Lake, WA 98837-9326
(509) 765-5333

Audit Areas Examined

Moses Lake Conservation District Grant County January 1, 1996 through December 31, 1998

In keeping with general auditing practices, we do not examine every portion of the Moses Lake Conservation District's financial activities during each audit. The areas examined were those representing the highest risk of noncompliance, misappropriation or misuse. Other areas are audited on a rotating basis over the course of several years. The following areas of the District were examined during this audit period:

LEGAL COMPLIANCE

We audited the following areas for compliance with certain applicable state and local laws and regulations:

- Open Public Meetings Act
- Conflict of interest laws
- Legal and supported payments

INTERNAL CONTROL

We evaluated the following areas of the District's internal control structure:

- Cash receipting
- Purchasing

FINANCIAL AREAS

In addition to the financial-related work listed in other categories, we audited the following areas:

- Revenues
- Overall presentation of the financial statements
- Cash
- Expenditures
- Investments

Audit Overview

Moses Lake Conservation District Grant County January 1, 1996 through December 31, 1998

AUDIT HISTORY

We audit the Moses Lake Conservation District every three years. Prior audit reports have been free of findings. However, during the current audit, the lack of internal controls over cash receipting was significant enough to be reported as a finding.

The District did not address most of our recommendations from the prior audit. However, we again explained the items during the current audit and noted the District's new management interest and concern with each of them.

CONCLUSIONS

In most areas, the District complied with state laws and regulations and its own policies and procedures. We did identify one condition significant to report as a finding. This condition is discussed in the findings section of this report. In addition, we found the District's financial statements were complete and accurate.

We thank District officials and personnel for their assistance and cooperation throughout the audit.

Schedule of Audit Findings

Moses Lake Conservation District Grant County January 1, 1996 through December 31, 1998

1. The District does not have adequate controls over cash receipting.

Description of Condition

The Moses Lake Conservation District runs a nursery which received \$258,675 in 1998, \$237,108 in 1997, and \$181,166 in 1996. During our previous audit, we had communicated several weaknesses over cash receipting at the nursery to the District's management. During the current audit, our documentation, evaluation and tests of the cash receipting procedures during this audit disclosed significant internal control deficiencies.

The District secretary prepares the deposits and reconciles the bank statements without any independent monitoring or review procedures in place. Without this monitoring or review, possibility of a loss occurring and going undetected is increased.

Multiple cash register operators utilized the same cash drawer. This prevents the District from being able to fix responsibility should the amount of funds on hand not agree with the amounts received according to the cash register tape.

The mode of payment (cash or check) is not entered into the cash register when a sale is made. Without identifying the mode of payment at the time of receipt, the District cannot determine all cash received is deposited in its account.

The District is reimbursing employees out of the cash register. The only evidence of a reimbursement is a receipt identifying the purchase(s) placed in the cash register drawer. The individual receiving the reimbursement is not documented, nor are the reimbursements submitted to the District's Board for approval.

The District prepares a deposit of the checks received on a daily basis but does not deposit the cash. The deposit needs to be kept intact so the District can verify all moneys are deposited in its account.

Cause of Condition

According to the District, management was unaware of the lack of internal control over cash receipting.

Effect of Condition

The lack of internal controls over cash receipting increases the potential for fraud or abuse, which may not be detected in a timely manner, if at all. In addition, the District's management has lost an important tool in reviewing and approving the expenditures of the District if reimbursements are not required to be sent to the Board for approval.

Recommendations

We recommend the District improve internal controls over cash receipting as follows:

- Implement independent review for monitoring the bank deposit and monthly reconciliation.
- Allow only one cash register operator per cash drawer or implement other procedures, which will fix responsibility for shortages/overages.
- Establish the mode of payment for every transaction.
- Establish a petty cash fund for reimbursement of employee out of pocket expenses. The records of this fund should identify the amount, date, person and purpose for all transactions.
- Increase the change fund so that all money receipted is deposited on a daily basis.

District's Response

Thank you for the opportunity to respond to the audit finding. In response to the finding that the District does not have adequate controls over cash receipting, we make the following statements:

1. *The District will institute a periodic check of bank statements against deposit records at its regularly scheduled Board meetings in an effort to monitor same. The results will be recorded in the minutes.*
2. *Multiple cash register operators cannot be changed at this time due to the volume of our sales and the one on one service that we provide. Close attention has always been made to the balancing of the cash drawer and staff will continue to be diligent in this area. Should problems arise, steps will be taken to review the situation and determine what steps need to be taken.*
3. *Every effort is made to record the sale as cash or check when a sale is made. Staff will be reminded again of the importance of doing same. We don't believe there has been a significant problem with this since the new cash register was purchased in February 1999. This was not the year covered in the audit so, consequently, we feel we already have this in place.*
4. *We have instituted a petty cash fund so our employees will be able to be reimbursed for the small expenses incurred in the operation of a business. We take exception that the receipts were placed in the cash drawer. Receipts were recorded and attached to a numbered invoice and assigned an account number for inclusion in the general ledger. While we now understand "intact" and approved expenditures, the reimbursements were for budgeted line items and were not of a significant dollar value. The financial statements are detailed and the Board goes over line items at each meeting. It is a moot point to make since we no longer do this, but the statement addressing this seems particularly harsh.*
5. *The present staff was not aware that all sales, including cash, were to be deposited daily. Extra cash was kept on hand at peak times to make change. At the end of each month, the cash drawer was taken back to the original amount and all cash above that amount was deposited. When the person doing the audit explained "intact" to the staff, immediate steps were taken to implement that and records will reflect, in the year 2000, that this is the case. We will also increase the cash drawer to have more change available.*

Auditor's Remarks

We thank the District for its response. We also wish to express our appreciation to District staff for their assistance and cooperation throughout the audit process.

Applicable Laws and Regulations

Article XI, Section 7 of the Washington State Constitution states that all money receipted shall immediately be deposited:

All moneys, assessments and taxes belonging to or collected for the use of any county, city, town, or other public or municipal corporation, coming into the hands of any officer thereof, shall immediately be deposited

Independent Auditor's Report on Compliance with State Laws and Regulations

Moses Lake Conservation District Grant County January 1, 1996 through December 31, 1998

Executive Board
Moses Lake Conservation District
Moses Lake, Washington

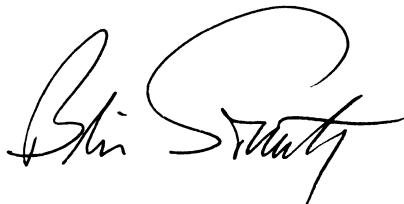
We have audited the financial statements of the Moses Lake Conservation District, Grant County, Washington, as of and for the years ended December 31, 1998, 1997 and 1996, and have issued our report thereon dated January 1, 2000.

We also performed tests of compliance with state laws and regulations as required by *Revised Code of Washington* (RCW) 43.09.260. This statute requires the State Auditor to inquire as to whether the District complied with the laws and the *Constitution of the State of Washington*, its own ordinances and orders, and the requirements of the State Auditor's Office.

Compliance with these requirements is the responsibility of the District's management. Our responsibility is to make a reasonable effort to identify any instances of misfeasance, malfeasance or nonfeasance in office on the part of any public officer or employee and to report any such instance to the management of the District and to the Attorney General. However, the objective of our audit of the financial statements was not to provide an overall opinion on compliance with these requirements. Accordingly, we do not express such an opinion.

The results of our tests indicated that, with respect to the items tested, the District complied, in all material respects, with the applicable laws and regulations referred to in the preceding paragraphs. However, we noted an instance of noncompliance of regulatory requirements immaterial to the financial statements which is identified in the accompanying Schedule of Audit Findings as Finding 1. With respect to items not tested, nothing came to our attention that caused us to believe that the District had not complied, in all material respects, with those provisions.

This report is intended for the information of management and the Executive Board and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.



BRIAN SONNTAG, CGFM
STATE AUDITOR

January 1, 2000

Independent Auditor's Report on Financial Statements

Moses Lake Conservation District Grant County January 1, 1996 through December 31, 1998

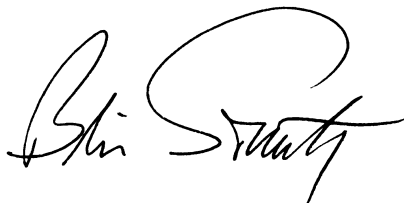
Executive Board
Moses Lake Conservation District
Moses Lake, Washington

We have audited the accompanying financial statements of the Moses Lake Conservation District, Grant County, Washington, for the years ended December 31, 1998, 1997 and 1996. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1 to the financial statements, the District prepares its financial statements on the cash basis of accounting that demonstrates compliance with Washington State statutes and the *Budgeting, Accounting and Reporting System* (BARS) manual prescribed by the State Auditor, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the recognized revenues and expenditures of the funds of the Moses Lake Conservation District for the years ended December 31, 1998, 1997 and 1996, on the cash basis of accounting described in Note 1.



BRIAN SONNTAG, CGFM
STATE AUDITOR

January 1, 2000

Financial Statements

**Moses Lake Conservation District
Grant County
January 1, 1996 through December 31, 1998**

FINANCIAL STATEMENTS

Resources and Uses Arising from Cash Transactions – 1998
Resources and Uses Arising from Cash Transactions – 1997
Resources and Uses Arising from Cash Transactions – 1996
Notes to Financial Statements – 1998
Notes to Financial Statements – 1997
Notes to Financial Statements – 1996